A BILL PUBLICATION

MAY 20, 1986

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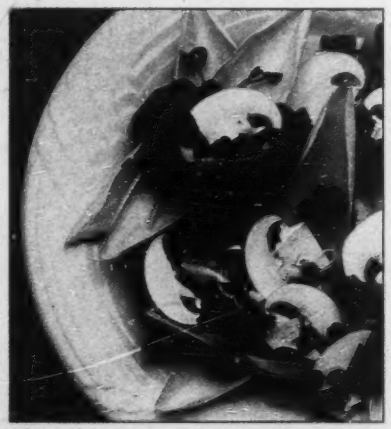

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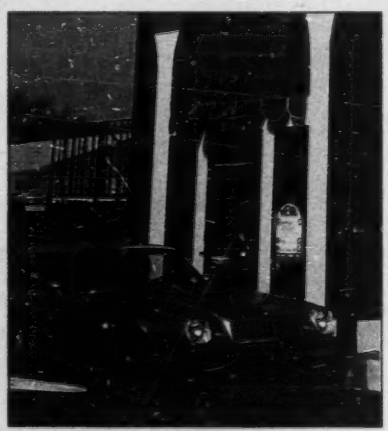

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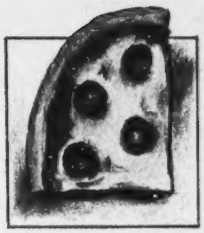

PIZZA MARKET IS ON THE MOVE

The 'Domino's effect' has major pizza chains vying for a slice of the lucrative delivery business.

by Jacque Kochak

Pizza continues to grow in popularity, with the number of pizza restaurants far outstripping the number of hamburger units in the U.S. Major pizza chains report extremely aggressive expansion plans, and while Pizza Hut still reigns supreme as undisputed queen of the segment, such "upstarts" as Domino's and Little Caesar hope to overtake her some day.

Delivery has emerged as a very important factor in the pizza segment. Domino's Pizza Inc. alerted operators to the possibilities of delivery by posting phenomenal growth figures over the last several years. In fact, the Ann Arbor, MI-based company increased sales a staggering 73 percent in 1985, to $1.08 billion from $626 million. Now

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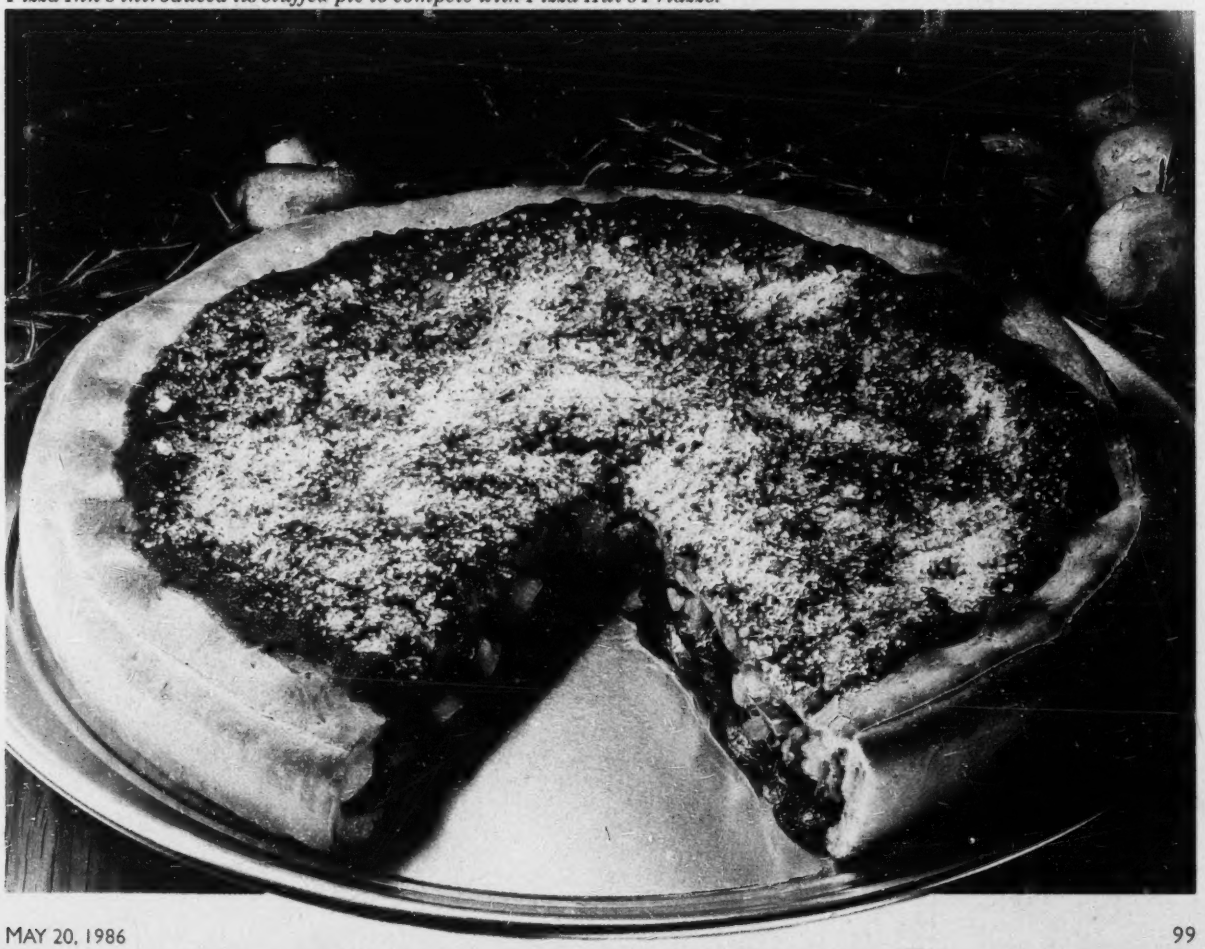
Pizza Inn's introduced its stuffed pie to compete with Pizza Hut's Priazzo.



PIZZA *continued from page 99*
Pizza Hut is turning heads by initiating its own delivery program.

Delivery is so popular that several companies are halting or slowing expansion of full-service concepts to promote development of stripped-down delivery units.

"Delivery-only units require less space," explains William Eskew, vice president of marketing for Dallas-based Pizza Inn Inc. "Delivery is popular, and small delivery-only units give a franchisee a way to quickly fill out a market." Pizza Inn is also giving franchisees a financial incentive to open the smaller units (1,500 to 1,900 sq. ft. compared with 3,000 sq. ft. for a full-service unit); plans call for opening 150 of the new units in 1986. According to Ray Phillips, senior vice president of finance for Pizza Inn, the delivery units require an investment of about $125,000, versus more than $600,000 for the full-sized restaurants.

COMPETITION HEATS UP. As the popularity and promise of pizza have become increasingly apparent, competition is definitely heating up. As a result, chains have been broadening their menus to entice new customers, and chasing lunchtime business.

Leading the way is Wichita, KS-based Pizza Hut Inc., which until just a few years ago was not considered serious competition by many up-and-coming regional chains. The company's product was viewed as mediocre at best; Pizza Hut was a "has-been" with an impressive number of units but unimpressive execution. Then the slumbering giant woke up.

The introduction of pan pizza caused competitors to take notice and pumped up Pizza Hut's sales; then came the introduction of Personal Pan Pizza, aimed at luring customers at lunch and now accounting for some $350 million a year in sales. Last year the company introduced Priazzo, a heavy stuffed pizza that also accounts for about $350 million in sales. Now Pizza Hut is rolling out "Calizza," designed for lunchtime consumption and similar to the *calzone*—a pocket of pizza dough stuffed with cheese and other fillings—that has been popular in the Northeast for many years.

The pizza success story has not gone unnoticed by other segments of the foodservice industry. Greyhound Food Management Inc., a contract caterer and Burger King franchisee based in Phoenix, AZ, recently purchased Dayton, OH-based Cassano's Pizzerias with high hopes for expansion. Even McDonald's is testing a "McPizza." And some supermarket chains are increasingly presenting stiff competition by offering high-quality made-on-premise pizza for take-out.

"Frozen products from the grocery store are better than ever before," notes Craig Slavin, president of Chicago-based Giordano's, an upscale pizza chain specializing in that city's famous
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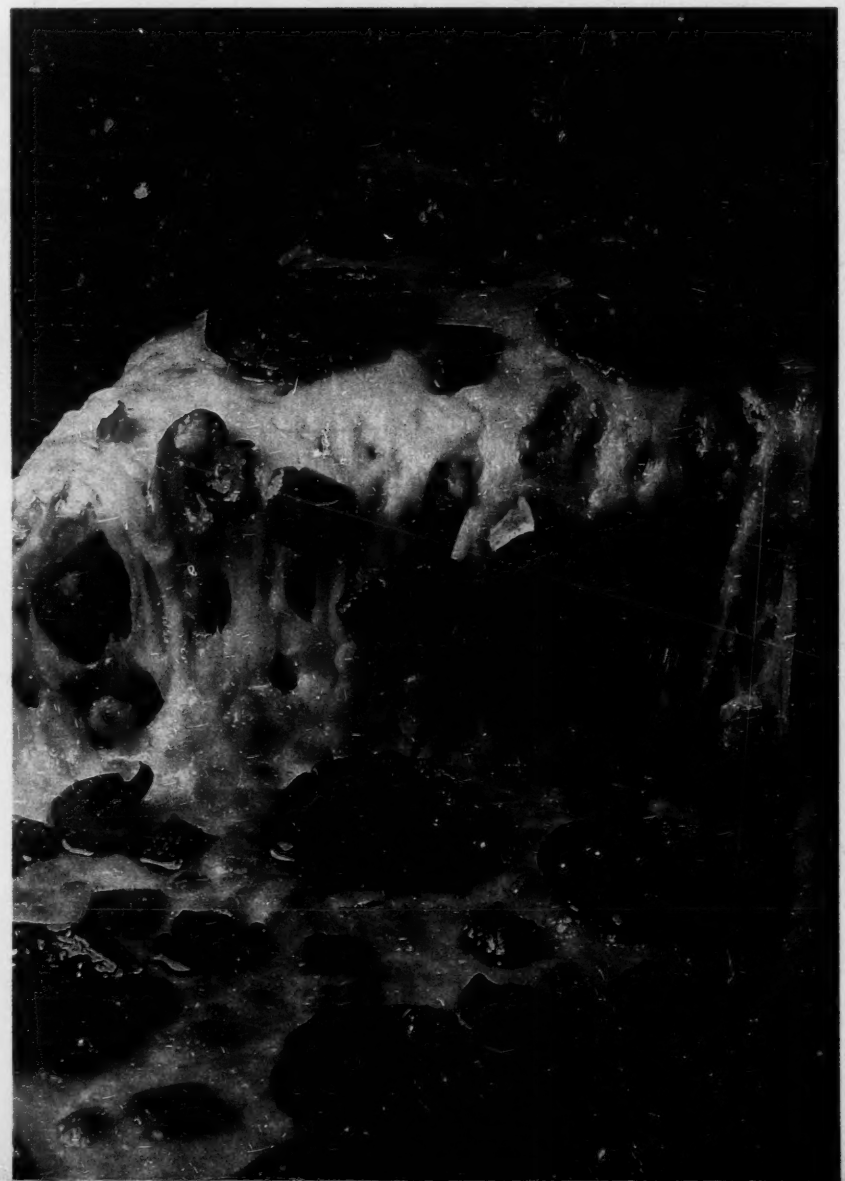
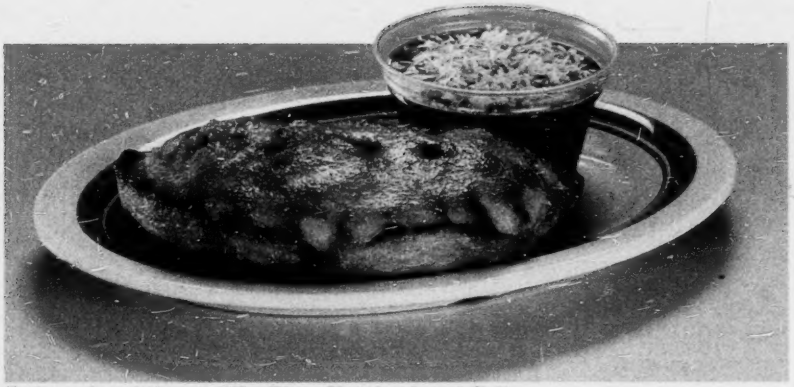
As the popularity of pizza increases, the competition among pizza chains intensifies. Operators are broadening their menus to entice new customers and aggressively chasing lunch business.



Little Caesar, which recently opened its 1,000 unit and now has stores in 38 states, continues to emphasize value with its two pizzas for the price of one promotion.



To boost lunchtime traffic, Pizza Hut developed Calizza.

Pizza Hut continues its reign as the largest pizza chain with 4,950 units and sales of $2.9 billion.

PIZZA *continued from page 100*
stuffed pizza. "That means that pizzerias serving made-from-scratch pizza have to be better than ever before."

EXPANSION PLANS. Pizza still retains something of its regional character, with the Northeast and Chicago, especially, attached to their own particular styles. National or soon-to-be-national chains are becoming more and more of a force, however, as they mount extremely aggressive expansion plans.

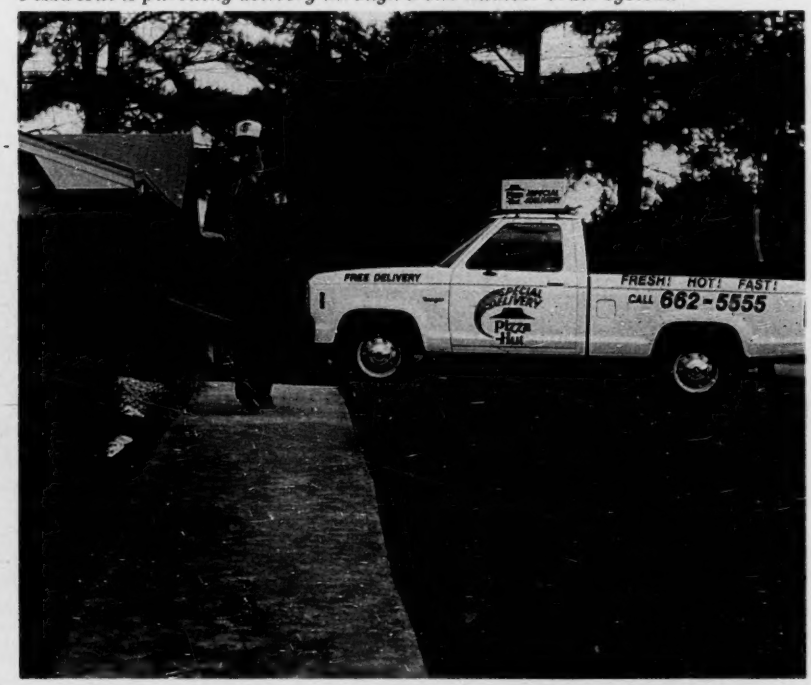
Part of the reason for the expansion flurry is the increased amount of money in the marketplace and the eagerness of investors to bet on what looks like a winner. And part comes from the pizza chains' increased confidence in their product.

Just two or three years ago, a Pizza Hut spokesman lamented the fact that the company's penetration of the New England and New York City markets was minimal because of people's fierce loyalty to regional styles of pizza. In New York City, for example, practically every block boasts a tiny mom and pop pizzeria—serving chewy-crusted pizza that folds like a sandwich.

Now Pizza Hut has initiated an expensive television campaign to introduce the Priazzo, a product unkown in New York City, and New York has been listed as an expansion focus. Domino's is also opening units in the New York City suburbs.

The enthusiasm for expansion is fueled by steady growth in real sales. Pizza chains that franchise have been showing overall sales gains of nearly 20 percent a year while sales in many other segments are basically flat, according to "Restaurant Franchising in the Economy," a report prepared by Andrew Kostecka of the U.S. Department of Commerce.

Pizza Hut is pursuing delivery through a one-number order system.



There are now a total of 35,770 pizza restaurants in the United States, or 10.8 percent of total restaurants. By contrast, there are only 28,286 hamburger restaurants (8.5 percent of total restaurants), according to the Spring 1985 RE-COUNT data prepared by Kenilworth, IL-based Restaurant Consulting Group Inc. Pizza is most popular in the East/North Central region where pizza restaurants (7,681 units) account for 14 percent of the total restaurants (54,987) in the region and in the Middle Atlantic States where pizza restaurants (7,343 units) account for 14.6 percent of total restaurants (50,357) in the region.

Those numbers are going to increase rapidly in the next few years, although some people are predicting a shakeout. Domino's growth has been extraordinarily fast; the chain opened 954 stores in 1985, the highest one-year total ever recorded by a foodservice company, according to company sources. The number of units increased 51 percent, from 1,885 in 1984 to 2,839 in 1985. Unofficial plans call for opening 921 new Domino's units in 1986, for a total of more than 3,700 outlets. Reportedly, Domino's wants to open an outlet in every town in the U.S. with a population over 10,000, and founder Tom Monaghan says that Domino's will have 10,000 units by 1990 (by comparison, McDonald's has around 8,000).

Pizza Hut, with 4,950 units and 1985 sales of $2.1 billion, continues to grow at a respectable pace. The company will open 200 to 300 domestic units in 1986; 130 to 150 will be company-owned.

Like Domino's, Little Caesar Enter-

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prises, a take-out concept based in Farmington Hills, MI, is aiming for national dominance by 1990. The company just opened its 1,000th unit, and now has locations in 38 states, Canada, and Great Britain. It emphasizes a price/value strength by selling two pizzas for the price of one.

Systemwide sales reached $340 million in 1985, an increase of more than 470 percent since 1980. Company analysts project a 50 percent increase in sales for 1986, to $475 million, and 1986 plans call for opening 500 units.

All this growth has catapulted Little Caesar into third place among national pizza chains, bypassing Godfather's Pizza (until recently the second largest pizza chain), which has slipped to fifth place with 1985 sales of $268 million, behind ShowBiz Pizza Time Inc. (formerly ShowBiz Pizza Place Inc.) ShowBiz climbed to fourth place when the Irving, TX-based company, owned by Brock Hotels Corp., acquired competitor Chuck E. Cheese Pizza Time Theatres last year. Combined 1985 sales of the new entity totaled $325 million.

At this time neither ShowBiz Pizza nor Godfather's is expanding.

As for Godfather's, Joyce Myers, a spokesman for the pizza chain's parent Burger King Corp., will say only that every aspect of the Godfather's format, from menu to site selection, is being evaluated. The chain, which has been operated under the Burger King umbrella since its purchase from Diversifoods by Pillsbury last summer, named a new president last month. Herman Cain, who previously served as vice president and general manager of Burger King's Philadelphia region, succeeds Pete Pettis, who has gone into business for himself.

Dallas-based Pizza Inn, the sixth largest national chain with 1985 sales of $265.5 million and a total of 728 units, will open about 150 new units (all small take-out/delivery outlets), and Irving, TX-based Shakey's Inc., the seventh largest pizza company with 1985 sales of $211 million, plans to step up expansion by increasing the number of units by 10 to 20 percent in 1986. Shakey's, with 272 units currently, will be expanding more aggressively than in the past because the company has been refining three new pizza concepts, but vice president of marketing Rodney Read won't give details.

The eighth largest pizza chain is San Francisco-based Round Table Pizza, with 500 units throughout the west. Round Table, with 1985 sales topping $196 million, will open 70 new restaurants in 1986, with emphasis on southern California and Arizona.

San Francisco-based Round Table now offers a personal pizza.

Domino's growth continued in 1985 as the second largest pizza chain opened an astounding 954 units, claiming it to be the highest one-year total ever recorded.

Another regional operator, Austin, TX-based Mr. Gatti's Inc., is the country's ninth largest pizza chain at this point with 1985 sales of $130 million. The company operates 308 restaurants throughout the South, and plans to open between 14 and 18 new company stores plus a number of franchised units. Capital is being channeled into a remodeling program as well as expansion, says senior vice president of marketing and franchising Dave McKenzie; sales volumes are doubling in some units as a result of the facelifts.

Number 10 on the list of top chains is Tulsa, OK-based Ken's Restaurant Systems Inc., operators of Ken's Pizza, Mazzio's Pizza, Ken's Pizza Buy the Slice, and Scooter's Pizza Delivery (a delivery-only concept) in the Midwest and South. Like Pizza Inn, Ken's Restaurant Systems (1985 sales: $130 million) is pushing its new delivery-only concept; plans call for 32 new Scooter's in '86 and more than 90 in '87. The company will also expand Mazzio's (originally developed as an answer to Godfather's), but at a slower pace.

Mazzio's, a self-service concept with an upscale decor, offers three kinds of

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pizza with a variety of toppings, plus sandwiches, salad, and nachos. Take-out, including drive-thru, accounts for about 35 percent of sales for the 150-seat restaurants, whose unit volume exceeds $1 million in all new locations.

Scooter's, with two kinds of pizzas, added a variety of options to compete more effectively with Domino's: free pizza if an order isn't delivered in 30 minutes; one-number dialing to a central office for any given market; fried chicken and potato wedges (in half the stores); a variety of soft drinks; beer; and pints of Italian ice cream.

"The convenience of a diversified menu can be a tie breaker if someone is choosing between us and Domino's," explains Randy Grundy, vice president in charge of Scooter's.

To justify the cost of a central ordering system, Scooter's will build a minimum of five company-owned and five franchised units in each new market.

A number of smaller regional chains have plans for significant expansion, as well. A Long Island-based chain, Sbarro Italian Eateries, now has 136 restaurants scattered throughout 31 states, and continues to thrust westward. Sbarro is known for the high quality of its food, served in shopping mall locations. The chain, with 1985 sales of $34.4 million, made a public of-

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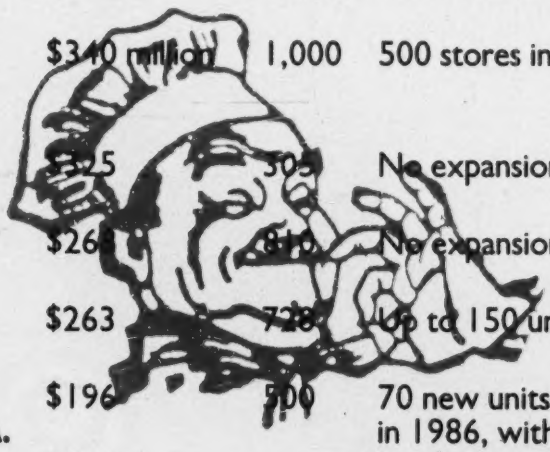
Top 10 Pizza Chains

(By Sales)

	1985 Systemwide Sales	Current No. Units	Expansion Plans
Pizza Hut Wichita, KS.	$2.1 billion	4,950	200-300 domestic units a year.
Domino's Ann Arbor, MI.	$1 billion	2,839	Over 900 units in 1986.
Little Caesar Farmington Hills, MI.	$340 million	1,000	500 stores in 1986.
Showbiz Irving, TX.	$325	305	No expansion.
Godfather's Miami, FL.	$264	810	No expansion.
Pizza Inn Dallas, TX.	$263	728	Up to 150 units in 1986.
Round Table San Francisco, CA.	$196	500	70 new units in 1986, with emphasis on Southern California and Arizona.
Shakey's Irving, TX.	$146	272	10-20 percent growth in unit counts in 1986.
Mr. Gatti's Austin, TX.	$130	308	About 40 new units in 1986; concentrating on remodeling.
KRS Inc. Tulsa, OK.	$130	255	About 63 units in 1986 (31 Mazzio's and 32 Scooter's).



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fering last year to finance growth.

Noble Roman's Inc., based in Bloomington, IN, currently operates 127 units in the Midwest with 1985 sales of $45 million. The company is planning expansion in Ohio, Wisconsin, Michigan, Illinois, Kentucky, and Florida.

Madison, WI-based Rocky Rococo Corp., which specializes in thin pizza by-the-slice, hopes to more than double its size in 1986 by opening 120 new units in its current marketing area (from Ohio west to Washington across the northern half of the country) as well as move on to the East Coast. The company now operates 90 units.

Greyhound Food Management plans to take its new acquisition, Cassano's, throughout Ohio and the Sunbelt. Cassano's sells a chewy-crusted New York-style pizza piled high with a lot of toppings. Presently, there are 75 units within a 60-mile radius of Dayton, with $20 million in annual sales. According to Joseph Fassler, GFM's president, the company will spend the next six months refining the Cassano's concept, then rapidly open some 50 company and 50 franchised units within the following year. "After everything is in place we hope to build 150 units a year," he says. "But we won't grow before our time."

A number of small regional chains are expanding quickly and challenging the national chains for dominance in their home areas.

Like Pizza Inn and Ken's, GFM will expand a delivery-only concept, although some existing Cassano's are full-service.

Another delivery-only chain, Lexington, KY-based Pizza Transit Authority, has signed franchise agreements calling for over 250 units during the next five to seven years. Founder Jim Cherney has also recently sold 56 percent of the company's stock to franchisee Pizza Delivered Quick Inc., where he is now executive vice president.

Westminster, CA-based Lamppost Pizza, with 50 restaurants throughout the state and 1985 sales of some $30 million (up from $18 million in 1984), is planning expansion at a rate of one to two restaurants a month. The move will take Lamppost out of California and into other Western states.

Numero Uno, based in Woodland Hills, CA, is also on the move. The 11-year-old chain has grown to 62 units (57 of them franchised), with sales of $26 million, and claims to have a grip on 14 percent of the Southern California pizza market. With 24 units scheduled to open this year and 37 due to come on stream in 1987, the company's long-term growth plans call for 200 units to be in operation by 1991. In addition to its signature deep dish pizza, Numero Uno has added salad bars in some markets, a thin crust pizza that now accounts for 30 percent of pizza sales, and a selection of pasta dishes.

Another California chain, Straw Hat Pizza Restaurants (owned by Saga Corp.), is following a course of modest expansion in the wake of a few troubled years. The company operates 208 units, mostly on the West Coast, and will open a balanced mix of between

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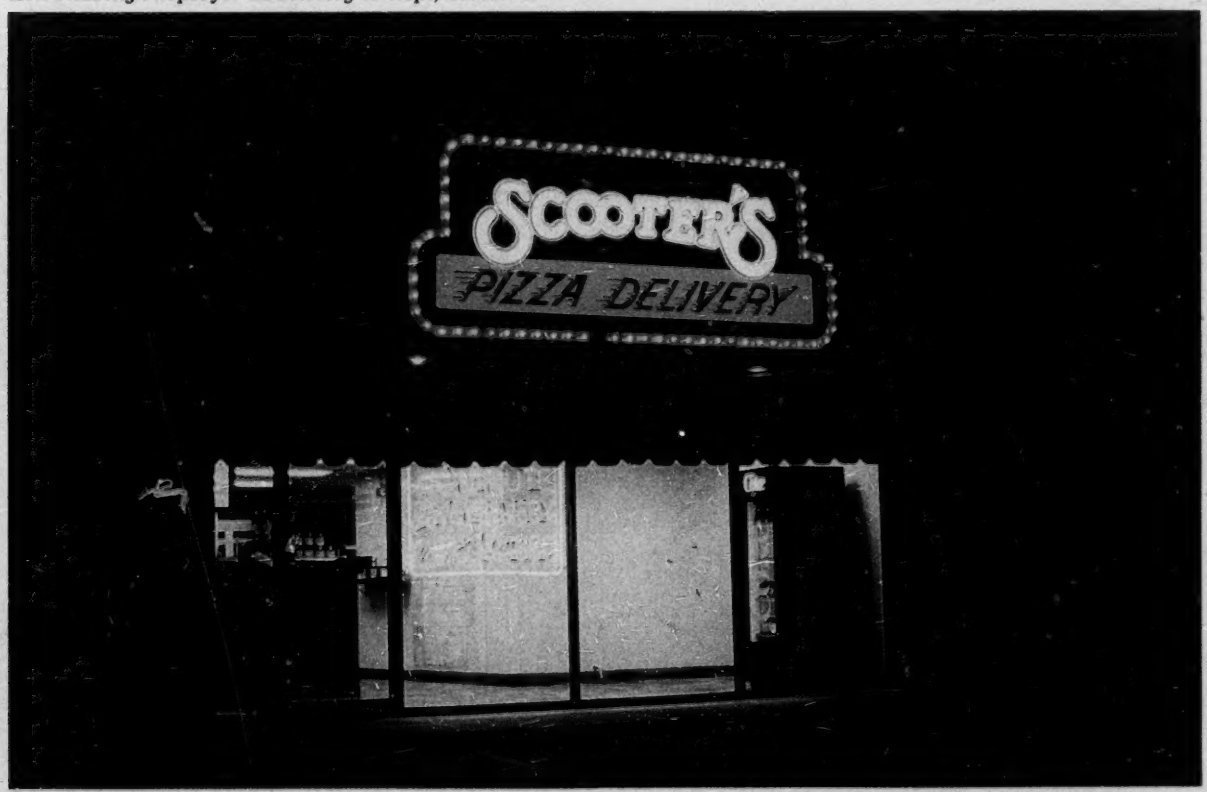
Ken's has high hopes for its delivery concept, Scooter's.



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five and 10 each company and franchised units per year. The company's sales topped $94 million in 1985. A multi-faceted program to improve the chain includes the introduction of sourdough pizza and possible remodeling.

Pantera's Corp., St. Louis, the franchisor of the 61-unit Pantera's pizza chain, also has its sights set on expansion. Recently, Pantera's granted a non-exclusive area development franchise to Omaha-based Concept Development, Inc., a Godfather's franchisee, which provides for the conversion of approximately 65 Godfather's in North Carolina and Indiana into Pantera's restaurants. According to Franklin G. Allen, chairman of Pantera's, the move is the first step in a plan toward making "Pantera's a significant factor in the pizza industry." Pantera's stronghold is in St. Louis, where it has 45 units; the transaction will also give the company a dominant presence in four new areas: Indianapolis (with 17 units); Charlotte, NC (also 17 units); Winston-Salem, NC (11 units); and Raleigh-Durham/Fayetteville, NC (nine units). Pantera's sales will exceed $60 million following the conversions.

Leading the expansion of upscale pizzerias is Pizzeria Uno Corp., based just outside of Boston. There are now 25 Pizzeria Unos operating in 14 markets, with plans calling for the concept to expand by 10 units in 1986.

DELIVERY MANIA. Ever since Domino's opened the industry's eyes with its extraordinary growth, competitors have been awakened to the possibilities of home delivery pizza. Now Pizza Hut is also delivering, and spokesman Mike Jenkins says the company will end 1986 with about 800 delivery-only units. Larger markets will be served by "Central Order Taking Station" (COTS) centers which can be reached from anywhere in the city by dialing one number. A central computer directs the closest Pizza Hut to deliver the order. Pizza Hut is also testing mobile units in which pizza is cooked on the way to a customer's house.

The Mid-Atlantic and East/North Central regions, which include New York and Chicago, have the largest market share.

Domino's is also testing a one-number system, and Mr. Gatti's has one-number computerized delivery systems in Austin, TX, and Louisville, KY.

While an astounding number of pizza operators have either initiated or are considering initiating delivery following Domino's success, at least one company is re-evaluating its delivery program following Pizza Hut's move.

Says Shakey's Rod Read: "We get a better return on investment with destination pizza restaurants. Pizza Hut doesn't have the growth available to it that we do, and we don't see delivery as a growth vehicle."

Other operators, however, see Pizza Hut's entry into the delivery market as a further impetus to add the service. They say they will have to offer delivery in order to remain competitive with Pizza Hut and Domino's.

Even some upscale pizza restaurants are now offering delivery. One of them is Gino's East in Chicago, owned by Collins Foods International. Franchisee Lettuce Entertain You Enterprises, with units in Chicago and Huntington, Long Island, has initiated a delivery program in Rolling Meadows, a suburb of Chicago.

"At one time, the big appeal of restaurants was that you didn't have to cook," says John Buchanan, vice president. "Now people have the convenience of not having to leave home."

The Rolling Meadows Gino's uses custom-designed trucks painted "like the top of an Italian tablecloth" in eye-catching red and white checks. Says Buchanan, delivery has turned out to

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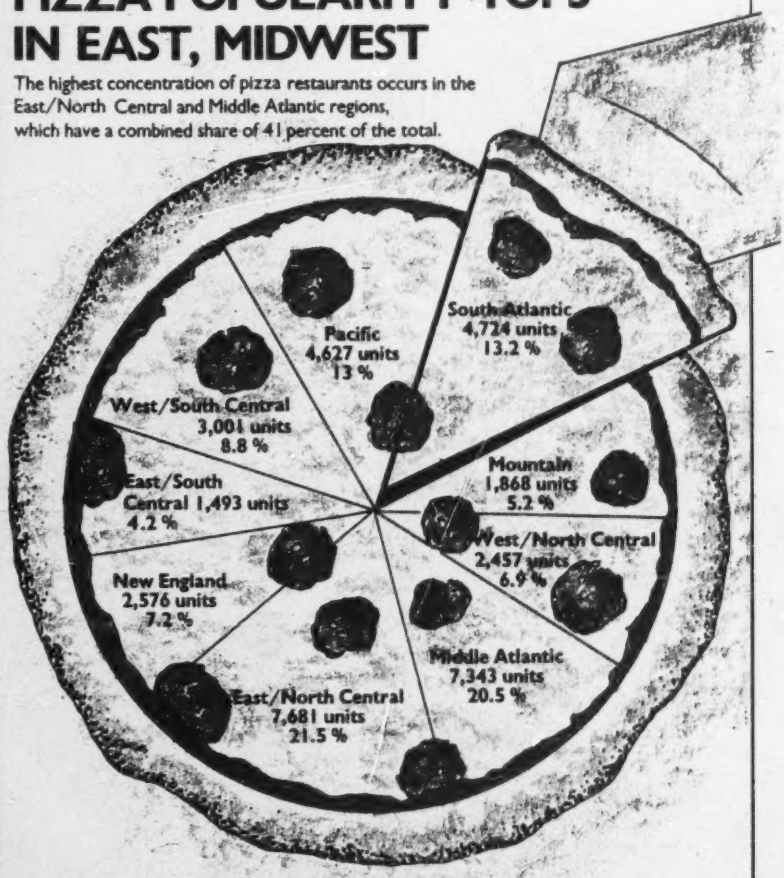
PIZZA POPULARITY TOPS IN EAST, MIDWEST

The highest concentration of pizza restaurants occurs in the East/North Central and Middle Atlantic regions, which have a combined share of 41 percent of the total.

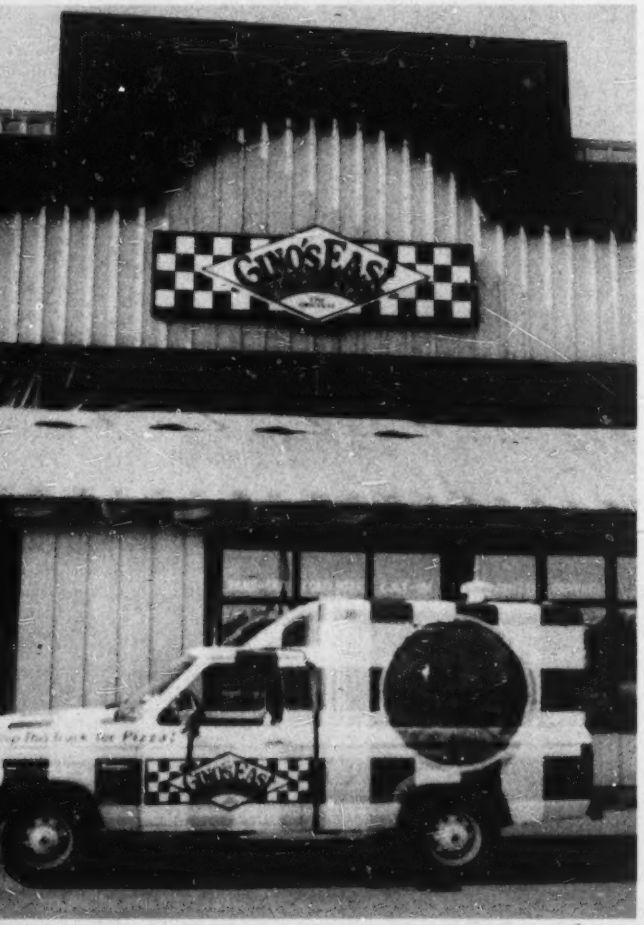


Note: Percentages represent distribution of pizza restaurants by Census regions. There are 35,770 pizza restaurants in the U.S., 10.8 percent of total U.S. restaurants.
Source: Restaurant Consulting Group, RE-COUNT, Spring 1985.

Delivery mania has spread throughout the pizza industry as a result of Domino's huge success.

Under GFM, Cassano's will focus expansion on smaller units and delivery.

For Chicago's Gino's East, delivery has worked well.



PIZZA *continued from page 112*

be "about five times as profitable" as expected, and now accounts for about 15 percent of the unit's sales.

Part of the appeal of delivery, says Buchanan, is that opening take-out and delivery-only units allows companies to keep costs down by utilizing smaller, existing spaces. "Domino's realized that a long time ago," he says. "I've seen Domino's operations put into some pretty incongruous places, like old liquor stores or gas stations."

Gino's is expanding its high-volume full-service units, but at a slow rate. Collins Foods has turned all responsibility for Gino's over to LEY's Buchanan, who says that four locations are pending in Chicago and three in New York and New Jersey.

Chicago-based Giordano's, famous for its stuffed pizza, also is testing a take-out and delivery-only concept. "Any way an operator can get the pizza in front of the people makes him more competitive," says Giordano's Craig Slavin. "Then it's all a matter of marketing. Some companies are offering free delivery, others offer delivery within 30 minutes. The company that can do both a full-service restaurant and a scaled down pick-up/delivery concept well has the best chance."

Giordano's has 22 units open or under construction, with 35 additional franchises sold.

The urge to successfully market delivery has led to some interesting ploys. In Chicago, one company delivers video cassettes along with pizza. And Connie's, a Chicago company

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PIZZA *continued from page 114*

much-mentioned by its competitors, utilizes some 30 to 35 delivery vehicles to establish satellite "units" around the "mother ship" unit in densely populated downtown. Pre-baked pizzas are loaded up and held in the trucks, which stop on pre-appointed rounds for walk-up business. The trucks are also equipped with telephones so that customers can call ahead.

MENU EXPANSION. Pizza Hut is not the only company to introduce something like the "Calizza." Round Table Pizza has introduced a calzone stuffed with ham, olives, onions, tomato, and a blend of cheeses.

Stuffed pizza is also achieving wider distribution. Pizza Inn has introduced its own stuffed pizza, as well as expanding its all-you-can-eat pizza buffet. Also in test is a light pizza (with whole wheat crust and vegetable topping) and, surprisingly, a fried chicken product. These moves are meant to protect market share in the wake of a disappointing year in 1985; the company sustained a net loss of $587,000 on sales of $265.5 million.

In addition, Pizza Inn has sold its debt-ridden Quality Sausage Co. subsidiary to Westport, CT-based Chesebrough-Pond's Inc., a major consumer products manufacturer, in order to concentrate on its core restaurant business. Chesebrough-Pond's has also taken a 7.6 percent equity position in Pizza Inn, at a cost of $2 million, although the company has announced that it has "no interest in furthering its ownership in Pizza Inn or in entering the field of fast food franchising."

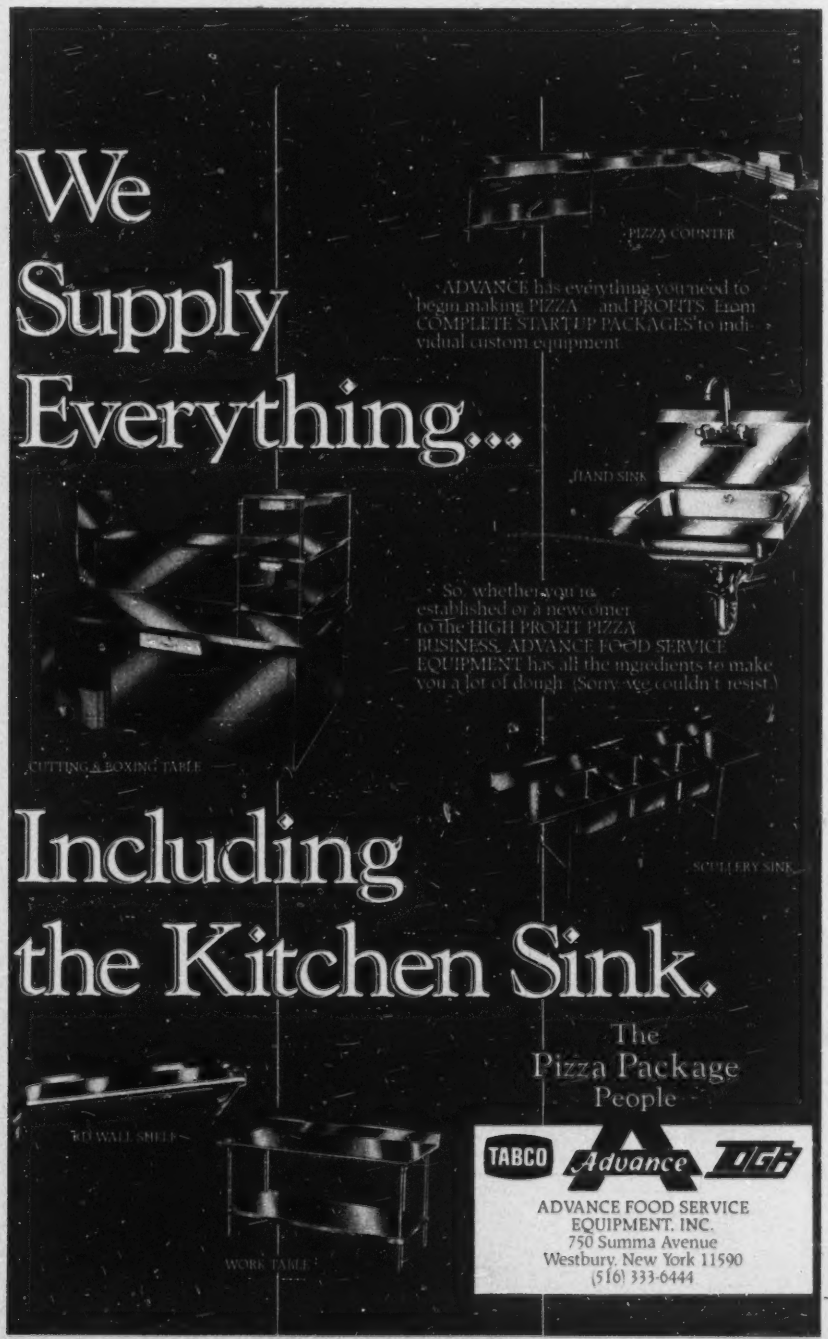
Despite financial difficulties, new ShowBiz Pizza Time president Dick Frank feels he can turn things around.

Interest in deep-dish pizza still runs high. Mr. Gatti's is testing a deep-dish pizza with a whole-grain crust and has added a meatball sandwich. And Noble Roman's has added a "Pan Brio" deep-dish pie to complement the company's deep-dish Sicilian pie.

ENTERTAINMENT CONCEPTS. ShowBiz Pizza Time, still a giant despite financial difficulties, practically constitutes a segment unto itself. Because of declining revenues for the last three years, the ShowBiz concept is constantly being re-evaluated, and a new president—Richard Frank, formerly of S&A Restaurant Corp.—joined the company a year ago.

"We will continue to target children, but we will bring the parents into the picture a little more too," says Frank. "We are going to reposition from a 'kid's entertainment' restaurant to a family restaurant."

The company has already downplayed video games. Now a number of changes are being made in mode of service to make the experience more pleasant for adults. For example, ShowBiz is now seating families so they don't have to scramble for tables, installing self-service beverage stations to reduce serving time, and doubling the number of registers. In addition, ShowBiz is improving its food: The pizza will be of higher quality and the salad bar will be bigger and fresher.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RESTAURANTS MOVE INTO TV BIG TIME

In 1985, restaurants passed the $1 billion mark in television spending. It will increase this year.

by Sarah Person

For the first time, restaurants and fast food chains in 1985 passed the $1 billion mark in television advertising expenditures, an increase of 17 percent over 1984. The numbers, computed by the New York City-based Television Bureau of Advertising, an industry trade association, are an indication of the industry's continuing—and accelerating—reliance on television as the medium of choice for its message. Only three other industry groups exceed the $1 billion mark: food and food products, automotive, and toiletries.

But national advertising on television is only for players with deep pockets. Thirty seconds sandwiched between gunshots on "Miami Vice" costs $165,000 and chains must come up with a whopping $270,000 for half a minute on television's top-rated program, "The Cosby Show."

As a result, decisions on how to spend these kinds of dollars aren't made easily, nor is the creation of the commercials themselves taken lightly. The major fast food chains commit considerable talent and resources to developing their commercials, and the ultimate results reveal not only how the companies see themselves but provide insight into the strategic differences between them.

A review of fast food TV advertising campaigns, concentrating on their development and execution, elucidates some of the essentials of a successful ad campaign.

But first, a closer look at the numbers. In 1985 a total of $1.088 billion was spent by the foodservice industry on television advertising, with $415.7 million of that going to network advertising, and $671.9 million on spot advertising. Figures for network and spot advertising for 1984 were $352.1 million and $577.5 million, respectively.

The top five fast food television advertisers, while all increasing their expenditures, retained the same rank as in 1984. McDonald's Corp., Oak Brook, IL, spent a total of $302.7 million on spot and network television in 1985, a 19 percent increase over 1984. Burger King Corp., Miami, whose much-talked-about "Herb" campaign took TV viewers into the first quarter of 1986, spent $154.9 million, increasing its ad expenditures by 20 percent. The third largest TV advertiser was Wendy's International, Inc., Dublin, OH, which upped TV ad expenditures 14 percent over 1984 for a total of $83.7 million.

TV EXPENDITURES UP. With $75.2 million in ad expenditures, Kentucky Fried Chicken, Louisville, KY, ranked fourth with a 20 percent increase over 1984, and Pizza Hut, Wichita, KS, at $63.3 million, was fifth, with expenditures up nine percent over 1984. Within TV advertising as a whole, industry by industry, McDonald's was the tenth largest television advertiser in the nation in 1984, up from its sixteenth place position in 1983, according to *Advertising Age Magazine.*

A related study published by the Television Bureau of Advertising shows that restaurants and drive-ins were the leading category for all local television buys. Figures for the industry for the first nine months of 1985 show that it spent $504.5 million, up 18 percent from the $426.9 million for the same period a year earlier.

Leading the spot buy list overall, ranking the first to fifth place for local

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A scene from Pizza Hut's "Pizza Lover's" campaign.

ADVERTISING *cont. from p. 300*

TV ad expenditures, were: McDonald's, up 30 percent from $65.9 million in 1984 to $91.4 million; Pillsbury (Burger King), which only increased expenditures 2 percent, from $68.1 million to $69.7 million; Pepsico, Inc. (for Pizza Hut and Taco Bell), up 25 percent from $52.4 million to $65.6 million; Wendy's International, up 3 percent from $31 million to $31.9 million; and R.J. Reynolds Industries (for Kentucky Fried Chicken), up 24 percent from $17.7 million to $22.1 million.

Among the top 15 television advertisers in the industry, all increased their 1985 television expenditures, with the exception of Red Lobster Inns, which was down seven percent, and Jack in The Box, down five percent. At the same time, many of the major fast food chains increased their radio advertising as well. RAX was up over 1,000 percent, International Dairy Queen was up over 100 percent, and others intensified their radio advertising by 80 to 90 percent.

MAKING CHOICES. As the cost of prime time network television advertising continues to soar, fast food chains must decide the best ways to get the most mileage out of their advertising dollars. While few have the ability of McDonald's to virtually blanket the airwaves with daytime as well as prime time advertising, others have found advertising strategies that circumvent dollar expenditures for creative campaigns and selective media buying.

The hallmark of a well-thought out, well-executed advertising campaign rests on setting clear client marketing goals, and then advertising agency and client work closely to bring them to fruition. The cases of Burger King's "Herb" campaign, Wendy's "Where's the Beef?" campaign, and Pizza Hut's "Pizza Lovers" campaign, illustrate three very different approaches to maximizing advertising dollars and creativity for the dollar spent.

"In order to compete with McDonald's media dollars," comments Hal Friedman, senior vice president and creative director at J. Walter Thompson Co., New York, "We needed to mass our dollars into bursts of media, or media events. One of the things that event marketing has done for Burger King is to gain it a great deal of awareness and attention."

Out of that framework was born the recent Herb advertising campaign, to which Burger King committed $40 million over a period of three months. While Friedman, who created the campaign, is the first to acknowledge the

A look at how chains and agencies work together to assemble TV commercials is instructive.

complaints of its critics, he adds that some of the most severe criticism actually came from the press.

An editorial in *Advertising Age*, in January of this year, was one of many articles that appeared chastizing Burger King for failing to capitalize on an opportunity to build strong product and brand awareness,which would translate into sales, in favor of generating Herb-awareness.

Burger King executives, who reported only a one percent sales increase in January as Herb embarked on his nationwide tour of Burger King outlets, respond that while sales increases are what anyone would like to see, " We've been about as high as we've ever been in terms of public awareness of the Burger King name," according to Thomas Sawyer, corporate vice president of marketing.

He added that letters to the company's public relations department ran 85 percent favorable. Video Storyboard Tests, Inc., a New York City company which monitors consumer awareness of advertising, reported that in its ranking of the "Top Ten Commercials" for the last quarter of 1985, Burger King's Herb was number six.

Adds Friedman: "Good advertising delivers a 'hard sell you love to watch,' and the Herb campaign had a lot of those trappings."

Actually, the Herb campaign, or something akin to it, had been proposed several years prior to its introduction in December, 1985. Friedman had had the idea of bringing some humanity back into Burger King ads in the persona of someone who eventually came to resemble Herb. But the success of the "Battle of the Burgers," the campaign theme at that time, put it on the back burner until now.

"Prior to Herb," adds Friedman, "we had discussed doing an 'event' that proclaimed an end to the 'Battle of the Burgers,' but we were ready for something fresh."

Herb was launched at a time when McDonald's was going full tilt promoting its new McD.L.T. sandwich, and Friedman adds that the Herb hoopla probably helped Burger King keep pace with the heavy McD.L.T. media blitz.

Herb, the nebbish who was the only person who had never tasted a Whopper, also provided an excellent opportunity for Burger King to capitalize on publicity and promotional back-up for

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TOP 10 NETWORK TELEVISION CATEGORIES— JANUARY TO SEPTEMBER 1985

	JAN./SEPT. 1984 (000)	JAN./SEPT. 1985 (000)	% CHANGE
Food and Food Products	990,393	1,084,471	+ 9
Toiletries and Toilet Goods	732,997	714,320	− 3
Automotive	530,012	539,375	+ 2
Proprietary Medicines	485,163	502,474	+ 4
Confectionery and Soft Drinks	320,196	329,303	+ 3
Soaps, Cleansers and Polishes	283,554	312,068	+ 10
Restaurants and Drive-Ins	270,513	301,410	+ 11
Beer and Wine	290,649	269,265	− 7
Consumer Services	260,725	184,680	− 29
Office Equipment, Computers and Copiers	251,206	180,141	− 28

SOURCE: Television Bureau of Advertising

ADVERTISING *cont. from p. 302*

the campaign. In fact, an indication of Herb's notoriety was mentioned by Freidman as one of the few real mistakes that was made during the two-and-one-half-month campaign. "We invented a place where Herb came from—Wisconsin.

"But a lot of Wisconsin people got really up in arms about that—they were offended. Finally, the governor of the state was pressured to disavow Herb!" Wisconsonites were miffed at the suggestion that their state could have intrinsically been responsible for the birth of such a nerd.

WHAT IS SUCCESS? A major problem is measuring the success of a campaign like Burger King's Herb. If fame and notoriety count for anything, it appears that the success of the campaign belonged first to Herb himself. Burger King has not yet disclosed sales for the first quarter, which will tell the full tale of the Herb campaign.

Future advertising, according to Friedman, will take less of an event approach and seek to use advertising dollars more consistently throughout the year."We are always considering alternative media approaches," responds Sawyer.

Probably the most successful recent advertising and promotional campaign by a major fast food chain was Wendy's "Where's the beef?" campaign, launched in January, 1984. In the hotly contested arena for the biggest share of the hamburger market, both McDonald's and Burger King consistently outpace Wendy's in advertising expenditures.

Measuring the success or failure of a major fast food advertising campaign is difficult.

"We have to develop advertising that will be distinctive, but that can compete at our actual spending levels," explains Robert Reed, executive vice president at Dancer, Fitzgerald, Sample, Inc., New York, the advertising agency responsible for Wendy's national account for the past five years.

"McDonald's has the budget to go after adults and children. We try to target our advertising at the adult market. With limited resources, you have to target more clearly," he adds.

The Where's the Beef? campaign stemmed from two perceived marketing problems that Wendy's management was trying to correct. "Before Where's the Beef?," explains Mitchell, account supervisor, "our advertising for Wendy's focused primarily on unique product attributes—the advantage of fresh vs. frozen beef, the advantage of pick-up windows, and Wendy's system of fresh preparation. Where's the Beef? stemmed from perceived problems that the consumer didn't realize that Wendy's single burger was the same size as the Whopper, and also that the consumer thought it cost more. We wanted to address sandwich and price size."

Wendy's spent $50 million on the campaign—nearly half of its advertising budget for that year—and it ran over a period of nine months in 1984, beginning in January.

Until they actually went into casting for the commercial, the idea of casting the main character as an older woman had not been set. "When we saw Clara Peller, it all made sense," says Roberts.

Oddly enough, there was a line in the original commercial stating that the burger was on a light, fluffy bun, and at Dancer, Fitzgerald, Sample, that was the line they thought would hit

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LEADING RESTAURANT AND FAST FOOD CHAIN TELEVISION ADVERTISERS IN 1985

	1984			1985		
	NETWORK (000)	SPOT (000)	TOTAL (000)	NETWORK (000)	SPOT (000)	TOTAL (000)
CATEGORY TOTAL	$352,156	$577,598	$929,754	$415,772,900	$671,970	$1,087,743
1. McDonald's	162,462	91,463	253,925	184,882	117,895	302,777
2. Burger King	51,315	78,119	129,435	71,096	83,873	154,969
3. Wendy's	34,687	38,817	73,505	44,274	39,445	83,720
4. Kentucky Fried Chicken	39,158	23,680	62,839	44,564	30,701	75,266
5. Pizza Hut	18,207	39,980	58,187	18,432	44,889	63,321
6. Taco Bell	—	28,473	28,473	—	38,654	38,654
7. Hardee's	6,990	18,493	25,483	8,925	23,287	32,213
8. Red Lobster	13,592	16,154	29,746	12,882	14,831	27,714
9. Long John Silver's	—	19,643	19,643	—	26,304	26,304
10. Denny's	15,267	3,618	18,885	10,508	12,466	22,974
11. Domino's	1,954	3,798	5,752	9,297	8,077	17,375
12. Arby's	4,423	8,138	12,562	5,803	10,083	15,886
13. Sizzler	—	11,159	11,159	—	14,130	14,130
14. Jack In The Box	—	13,273	13,273	—	12,556	12,556
15. Dairy Queen	—	10,994	10,994	—	11,878	11,878

SOURCE: Television Bureau of Advertising

ADVERTISING *cont. from p. 304*

with great popularity, not "Where's the Beef?" It was only a short time into the launching of the campaign, Roberts recalls, that they knew "We had something really great on our hands."

According to Reed, the perception that Wendy's burger was bigger increased 50 percent, and the value perception rose 10 percent. The expression "Where's the Beef?" quickly worked its way into popular usage, even being used by presidential candidate Walter Mondale to question the "new ideas" of Senator Gary Hart in a Democratic primary debate.

"There's only one way to measure its success," gushes Dennis Lynch, vice president, corporate communications, Wendy's. "Sales were $2.4 billion in 1984, up 26 percent over the previous year. It was undoubtedly our most successful campaign ever, and possibly the most successful in the history of advertising."

Is it hard to conceptualize future advertising on the heels of such overwhelming success? "Where's the Beef? is something we continually strive for, but that type of success is a rarity," admits Reed.

Wendy's still places the majority of its advertising dollars on television for maximum exposure, but is increasingly using print—primarily magazines—to popularize its "Light Menu."

Cable television, which ultimately may become the medium of choice, is still a secondary avenue, to be entered only when appropriate. Holding back what may become the "cable revolution" is the fact that no real means of quantifying cable viewers to provide realistic demographics—like network TV's Nielsen ratings—is yet available. "Cable gets to some households where network TV has had some erosion, but network still provides the broadest reach," says Roberts of Dancer, Fitzgerald, Sample.

"SECOND-TIER CELEBRITIES." Yet a third advertising approach has been used by Pizza Hut, whose advertising agency is the Los Angeles-based Chiat/Day, Inc. The agency followed its introductory ad campaign for Pizza Hut's Priazzo product with a campaign known as "Pizza Lovers," started in February, 1985 and still running. The ads featured what Patrick J. Sherwood, vice president and management supervisor at Chiat/Day, calls a "lower level of celebrity," such as Martin Mull, Marvin Hagler, Rita Moreno, and Herbie Hancock, who just spoke about what pizza meant to them, much of it ad-libbed before the camera.

The name Pizza Hut was never mentioned, but appeared on the screen at the end of the ad. While Pizza Hut executive James D. Fisher, senior director of national marketing, will not disclose the cost of the campaign, he maintains that it was "very cost effective."

Pizza Hut chose to use less well-known celebrities for its new campaign, "Pizza Lovers."

"Pizza is a fun, shared experience—and there are great things that are part of the joy of eating pizza," says Chiat/Day's Sherwood. "We orient a lot of our advertising to the real pizza lover. If we had used real big time celebrities, people would have thought that they were being paid a lot of money to do the ads, and wouldn't have believed them. Using the people that we did, people were more likely to think, 'Yeah, they love pizza, too.'"

Video Storyboards, which measures awareness, reports that consumers found the campaign to be entertaining, honest, and treated the viewer with respect, qualities that are frequently found in Chiat/Day campaigns. "We aspire to be the best creative agency—a goal that not all ad agencies share," boasts Sherwood. The generic approach adopted by the agency is distinctive of its own creative advertising style, one that obviously meshed with the goals of Pizza Hut executives.

The success of the campaigns has helped Pizza Hut keep abreast of its staunchest competitor, Domino's, of Ann Arbor, MI. What might have been considered generic pizza advertising actually worked to Pizza Hut's advantage, maintains Fisher.

"One of our objectives was to break through the clutter of fast food advertising with a distinctive campaign. People are involved in the spots, and they care about who brought them this experience." Adds Sherwood of Chiat/Day: "It's important to take assumptive positions, to act like the leader, and to make sure the advertising is seen." Pizza Hut's primary medium is television, and Sherwood expects it to stay that way. "Our belief is in television," he says. "It has become increasingly more efficient."

Television advertising, despite the exorbitant costs, remains the primary means for larger—and even some smaller—fast food chains to get their pitch to the greatest number of people within a known demographic group. Having reached the $1 billion mark, the industry has signaled its continuing commitment to the medium, and while some tout the future possibilities of more targeted advertising via cable TV, for the time being, the focus is still on the networks. Every year, a couple of blockbuster campaigns hit the airwaves and promise their clients fame, consumer awareness, and, hopefully, increased sales. ■

LEADING RESTAURANT AND FAST FOOD CHAIN RADIO ADVERTISERS IN 1985

CHAIN	1984 ($000)	1985 ($000)	% CHANGE
Church's Fried Chicken	$2,333	$ 3,834	+ 64.3
General Mills (Red Lobster)	809	1,025	+ 26.7
W.R. Grace (Del Taco)	566	1,024	+ 80.9
Int'l Dairy Queen	261	559	+ 114.2
Marriott (Roy Rogers)	919	1,757	+ 91.2
McDonald's	3,827	5,412	+ 41.4
PepsiCo (Taco Bell)	8,792	11,338	+ 29.0
Pillsbury (Bennigan's)	7,925	8,420	+ 5.6
Pizza Hut	602	675	+ 12.1
Rax	256	3,053	+ 1092.6

SOURCE: Radio Advertising Bureau